

AMERICAN STORES COMPANY  
ANNUAL REPORT  
1983



American Stores Company is one of the nation's leading retailers, operating combination drug/food stores, super drug centers, drug stores and food stores.

Principal operating subsidiaries include Alpha Beta Company, Skaggs Companies, Inc., Acme Markets, Inc. and Rea and Derick, Inc.

The Company operated, as of January 28, 1984, 1,620 retail units in the West, Midwest, Mid-Atlantic and Southwest regions of the nation.

American Stores Company continues to place its emphasis upon the development of combination drug/food stores in those markets which are projected to have greater than normal economic and population growth.

MAJOR FINANCIAL  
STATEMENTS  
YEAR END 1983  
IN \$ MIL  
12 MONTHS  
ENDING  
6891

## Financial Highlights

American Stores Company and Subsidiaries

*Fiscal years, 52 weeks,  
ended January 28, 1984  
and January 29, 1983*

*(In thousands of dollars  
except per share data)*

	1983	1982
Sales	<b>\$7,983,677</b>	\$7,507,772
Net Earnings	<b>\$117,902</b>	\$90,371
Per Common Share	<b>\$3.61</b>	\$2.69
Dividends Declared Per Share		
Common	<b>\$ .44</b>	\$ .33
Preferred	<b>\$5.51</b>	\$5.51
Common Shareholders' Equity	<b>\$451,694</b>	\$357,455
Book Value Per Common Share Outstanding	<b>\$15.26</b>	\$12.12
Return on Common Shareholders' Average Equity	<b>26.4%</b>	24.5%
Average Common Shares Outstanding	<b>29,556</b>	29,415

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### Annual Meeting

The Annual Meeting of  
Shareholders will be held on  
Tuesday, June 19, 1984 at 10:00 a.m.  
Salt Lake International Center  
5181 Amelia Earhart Drive  
Salt Lake City, Utah

## Letter to Shareholders

American Stores Company and Subsidiaries

Dear Shareholder:

Your Company had an outstanding year in 1983. It was a year in which we achieved record sales and profits and began an accelerated store expansion program.

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### Financial

Net earnings increased 30 percent while earnings per common share advanced 34 percent on a 6.3 percent sales increase.

Sales rose to \$7.9 billion from the \$7.5 billion, in 1982. Net earnings increased to \$117.9 million, equivalent to \$3.61 per common share, up from \$90.4 million or \$2.69 per common share, for the prior year. Like store sales increases for both the year (7.7 percent) and the fourth quarter (9.6 percent) were evidence of real sales growth when compared to the Company's internally calculated inflation rate of 1.5 percent.

Fourth quarter operating results reached record levels with net earnings increasing 21 percent to \$45.8 million, or \$1.46 per common share, up from \$37.9 million, or \$1.19 per common share. Sales for the fourth quarter were up 9.1 percent to \$2.1 billion, over sales of \$1.9 billion for the same 13 week period last year.

Return on common shareholders' average equity improved to 26.4 percent for the year, while after-tax profit rose to 1.48 percent of sales.

The strength of the balance sheet is best exemplified by the fact that the Company finished the entire year without having to seek short-term borrowings.

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### Dividend Increase

In June 1983, the Board of Directors authorized a three-for-one stock split to shareholders of record on July 8, 1983, and increased the quarterly common stock dividend by 44 percent to \$.12 per common share (\$.48 annualized).

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### Employees

During the year strides were made toward unifying the varied employee compensation and benefit programs throughout the Company, including the awarding of stock options, amounting to over 800,000 shares of common stock to key employees. Since 1974 the stock

American Stores Company and Subsidiaries

option program has served to provide these employees with a sense of ownership in their Company. The Company is pleased that a substantial number of its employees are shareholders. Many of the Company's employees voluntarily invest a portion of their salaries each month to acquire stock through the Monthly Investment Plan. Additionally, employees are shareholders of the Company's common stock through the American Stores Company Employees' Thrift Plan. The Thrift Plan is trustee for over 1,709,000 shares of common stock on behalf of participating employees, representing approximately 5.8% of the common shares outstanding. The Company's management has authorized, subject to shareholder approval at the Annual Meeting, a new Employee Stock Ownership Plan, which provides for the Company to annually contribute shares of its common stock to be held for eligible employees.

The outgrowth of stock option grants and employee stock ownership is higher productivity by employees and management who have a stake, as owners of the Company, in its future growth and success.

**Building  
Program**

During the past year the Company began an accelerated construction program. The 1983 construction program was impacted by one of the longest and most severe winters in the nation's history. The Climatic Impact Assessment Branch of the National Weather Service described the Winter of 1983-84 as one of the most extreme in the nation's history. The weather provided the second longest continuous ground snow cover ever recorded. What has been described as one of the coldest and wettest winters in history delayed our construction program in late 1983, as well as impacting fiscal 1984, with the result that fewer stores will open than we had planned. The Company's capital expenditures for fiscal 1983 exceeded \$140 million, which included the opening of 7 combination drug/food stores and 6 drug stores. The Company completed the major remodeling of 9 first-generation combination stores in Texas and 157 food and drug stores in other regions. The Company

American Stores Company and Subsidiaries

has reduced the projected number of combination stores it expects to open in fiscal 1984 to 14. In addition, the Company expects to open 1 expanded food store, 7 drug stores, 2 home improvement centers, 1 discount food and drug store and 1 liquor plaza. In keeping with its commitment to accelerate the construction of new stores, the Company realizes the importance of modernizing and upgrading the existing retail facilities. In that regard, the Company expects to remodel 32 combination stores in Texas and Oklahoma and 87 drug and food stores in other markets in 1984. During the period from 1981 through 1985, the Company will have remodeled over 50 percent, or all of the first and second generation combination stores and over 30 percent of the existing food and drug stores throughout the Company. Our store modernization program is emphasized in an effort to assure we remain one of the most up-to-date retail companies in America. Our construction and remodeling program has been budgeted at \$200 million in fiscal 1984 and \$275 million for fiscal 1985. It is expected that a major portion of our construction will be financed principally from internally generated funds.

**Outlook**

We look forward to improved performance in 1984. In the coming year, American Stores Company will accelerate efforts to streamline operations at all levels, including the reduction of expenses, in an effort to maximize its financial position in 1984 while building for the future with its employees, shareholders and an aggressive construction program.



L.S. Skaggs  
Chairman of the Board

## Selected Financial Data

American Stores Company and Subsidiaries

The following consolidated selected financial data of American Stores Company and subsidiaries for the five years ended January 28, 1984 should be read in conjunction with the consolidated financial statements and related notes of the Company appearing elsewhere herein

	<i>Fiscal Years Ended</i>				
<i>(in thousands of dollars except per share data)</i>	<i>January 28, 1984</i>	<i>January 29, 1983</i>	<i>January 30, 1982</i>	<i>January 31, 1981</i>	<i>February 2, 1980<sup>1,2</sup></i>
Sales	<b>\$7,983,677</b>	\$7,507,772	\$7,096,590	\$6,419,884	\$3,786,332
LIFO charge-net of tax	<b>\$1,135</b>	\$3,126	\$4,135	\$6,818	\$3,487
Net earnings	<b>\$117,902</b>	\$90,371	\$64,552	\$51,553	\$44,434
Less dividends declared on \$5.51 redeemable preferred stock	<b>(11,220)</b>	(11,220)	(11,220)	(11,220)	(5,915)
Net earnings applicable to common stock	<b>\$106,682</b>	\$79,151	\$53,332	\$40,333	\$38,519
Average common shares outstanding <sup>3</sup>	<b>29,556</b>	29,415	29,541	29,412	26,532
Net earnings per common share <sup>4</sup>	<b>\$3.61</b>	\$2.69	\$1.81	\$1.37	\$1.45
Cash dividends declared per common share <sup>5, 6</sup>	<b>\$.44</b>	\$ .33	\$ .27	\$ .27	\$ .27
Total assets at year-end	<b>\$1,626,695</b>	\$1,444,367	\$1,356,328	\$1,292,992	\$1,218,215
Long-term obligations	<b>\$366,856</b>	\$352,033	\$380,470	\$392,327	\$399,729
Redeemable preferred stock	<b>\$118,110</b>	\$118,110	\$118,110	\$118,110	\$118,110

<sup>1</sup>Includes results of former American Stores Company from date of acquisition, July 26, 1979

<sup>2</sup>53 weeks

<sup>3</sup>For restriction on common dividends, see "Long-term Debt" in notes to consolidated financial statements

<sup>4</sup>Restated to reflect 3-for-1 common stock split effective July 8, 1983

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Acme's Stores Company and Subsidiaries

### Results of Operations

Net earnings for the 52 week period ended January 28, 1984 increased 30.5% to \$117,902,000, or \$3.61 per common share of stock, compared to \$90,371,000, or \$2.69 per common share of stock for 1982. Net earnings for 1981 amounted to \$64,552,000, or \$1.81 per common share of stock. These earnings per common share of stock have been restated to reflect the Company's 3-for-1 stock split effective July 8, 1983. The Company continued to experience sales increases in excess of the Company's internally calculated inflation rate of 1.5%. Sales for 1983 increased 6.3% to \$7,983,677,000, compared to sales of \$7,507,772,000 for 1982. Sales for 1981 amounted to \$7,096,590,000.

Like store sales, or stores that have been in operation for two full fiscal years, increased 7.7% above 1982. The increase in like store sales exceeded the increase in total sales and was primarily caused by three factors: first, the Company's disposition of the Alpha's Restaurants in September 1982; second, loss of sales at Acme's American Stores Packing Company, a meat packing facility located in Lincoln, Nebraska and its closing in December 1982; and finally, the second quarter 1982 closing of 36 Acme stores located in the Baltimore, Maryland, Washington, D.C., and south central Pennsylvania regions.

During the year ended January 28, 1984, gross profits increased to 24.2% of sales compared to 23.8% in 1982 and 22.8% in 1981. Success of the Company's continuing program to reduce expenses and increase productivity was reflected in operating profits increasing to \$234,516,000, or 2.9% of sales, compared to \$185,563,000, or 2.5%, for 1982 and \$140,742,000, or 2.0%, for 1981. Operating profits per square foot of retail space increased to \$8.93 in 1983 compared to \$7.92 in 1982 and \$5.23 in 1981.

At year end 1983 and 1982, 30% of the Company's inventory was valued on the LIFO (last-in, first-out) method, compared to 33% in 1981. The LIFO charge is affected by the inflation rate and amount of LIFO inventory held during the year. The low inflation rate experienced during 1983, as well as disposition of LIFO inventories in conjunction with the sale of one of the Company's food processing plants, were major factors in reducing the current year LIFO charge. The pre-tax LIFO charge in the current year amounted to \$2,081,000. Correspondingly, the pre-tax LIFO charges



Aurion Stores Company and Subsidiaries

**Results of Operations** (cont.)

for 1982 and 1981 were \$5,771,000 and \$8,877,000, respectively. As a percent of sales, the pre-tax LIFO charges were .03% in 1983, .08% in 1982 and .13% in 1981. After-tax LIFO charges amounted to \$1,135,000, or \$0.04 per common share, for 1983, \$3,126,000, or \$1.11 per common share, for 1982 and \$4,135,000, or \$1.14 per common share, for 1981.

To allow for comparison with companies on FIFO (first-in, first-out) basis, the Company's FIFO earnings for 1983, 1982 and 1981 were \$119,037,000, or \$3.65 per common share, \$93,497,000, or \$2.80 per common share and \$68,687,000 or \$1.95 per common share, respectively.

Other income includes interest income, miscellaneous income and gains from early extinguishment of debt. The Company's cash management program used surplus cash and reserves to reduce bank service charges and earn interest income. Total interest income amounted to \$10,199,000, \$9,792,000 and \$8,297,000 for 1983, 1982 and 1981. Other miscellaneous income, including gain on sale of assets, amounted to \$7,029,000, \$8,153,000 and \$12,091,000 during those same years. Included in other income are gains on early extinguishment of debt of \$54,000 in 1983, \$2,515,000 in 1982 and \$3,862,000 in 1981.

Pre-tax earnings for 1983 amounted to \$216,129,000, compared to \$166,859,000 in 1982, and \$118,968,000 in 1981. The Company's effective consolidated income tax rates were 45.5%, 45.8% and 45.7% in 1983, 1982 and 1981. Fluctuations in the income tax rates are attributable to varying amounts of investment tax credits and capital gains, which are taxed at lower rates. The 1982 income tax rate was also affected by the tax-free status of a debt-for-equity swap.

**Liquidity**

The Company improved both working capital and current ratios during 1983. At January 28, 1984, working capital increased to \$285,739,000, compared to \$220,007,000 at January 29, 1983, an increase of \$65,732,000. Working capital at January 30, 1982 amounted to \$163,384,000. Current ratios were 1.46 to 1, 1.40 to 1 and 1.31 to 1 at January 28, 1984, January 29, 1983 and January 30, 1982, respectively.

As a supplement to working capital, the Company has arranged for bank lines of credit. At January 28, 1984,

American Stores Company and Subsidiaries

**Liquidity (cont.)**

the Company had available through thirteen banks \$80,000,000 in short-term bank lines of credit. The Company believes that the working capital and lines of credit are adequate to meet the presently identified working capital requirements.

Higher inventories and stable relative levels of accounts payable (as a percent of total inventories) were primarily responsible for the increase in working capital.

Increases in inventory were the result of inflation upon existing inventory levels as well as real increases in levels of inventory to meet additional consumer demands. The Company continued to adjust its inventory mix to meet consumer demands, increasing general merchandise to 56.8% of total inventory. For fiscal year-ends 1982 and 1981, general merchandise amounted to 56.7% and 53.3% of inventories. Inventory turns represent a method of measuring a company's inventory investment in relation to cost of sales. The Company had inventory turns of 9.3 times in 1983, 9.7 times in 1982 and 10.0 times in 1981. The lower inventory turns are reflective of the Company's higher level of general merchandise which turn slower than perishable grocery products.

At January 28, 1984, accounts payable were \$341,344,000. As a percent of inventory, accounts payable were 49.9% in 1983 and in 1982, and 52.8% in 1981. Other components of working capital maintained levels similar to those in the previous year.

In the past, the Company has used short-term borrowings to finance construction projects prior to long-term debt placement. There were no short-term borrowings in 1983. In 1982 and 1981, average short-term borrowings amounted to \$1,975,000 and \$24,989,000. The maximum short-term borrowings outstanding were \$30,000,000 in 1982 and \$55,000,000 in 1981. Average interest rates charged to the Company on short-term borrowings were 9.53% in 1982 and 15.54% in 1981. Average prime interest rates for the same periods were 14.48% and 18.49%, respectively.

**Debt-to-Equity**

During 1983, the Company financed an aggressive real estate program and continued to retire debt as required while incurring \$30,577,000 in long-term debt and obligations under capital leases. The 1983 borrowings were secured by real estate.

American Stores Company and Subsidiaries

**Debt-to-Equity (cont.)**

During 1982, the Company's additions to long-term debt and obligations under capital leases amounted to \$23,292,000, of which \$16,843,000 refinanced existing Industrial Development Bonds. The Company's additions to long-term debt and obligations under capitalized leases amounted to \$25,667,000 in 1981.

The Company continued to strengthen its debt-to-equity ratio by retiring long-term debt and obligations under capitalized leases of \$14,219,000 in 1983, \$52,791,000 in 1982 and \$37,890,000 in 1981. These reductions, coupled with an increase in common shareholders' equity, resulted in the debt to equity ratio decreasing to .81 to 1 in 1983, compared to .98 to 1 in 1982 and 1.31 to 1 in 1981. These ratios reflect the Company's progress made in improving its financial position.

**Capital Expenditures**

Capital expenditures for 1983, which include the present value of leases that are required to be capitalized under current accounting requirements, amounted to \$140,392,000. Capital expenditures for 1982 and 1981 were \$113,758,000 and \$118,900,000 respectively. During 1984, the Company expects to increase capital expenditures to approximately \$200,000,000, and the Company expects to have the major portion of the capital expenditures financed principally from internally generated funds.

**Inflation and Changing Prices**

The Notes to Consolidated Financial Statements under the caption "Supplementary Information on Inflation and Changing Prices (Unaudited)" contains a discussion of the effects of inflation using measurement bases developed by the Financial Accounting Standards Board. Explanatory comments are included in the disclosure discussing the effect of changing prices upon the Company's operations. While the Company has made the disclosure as required by the Financial Accounting Standards Board, the Company takes exception to the development of the cost of merchandise sold under the general inflation section of the disclosure because it does not fairly reflect the Company's history of matching sales price with merchandise cost. While the Company understands the desire of the Financial Accounting Standards Board to provide meaningful information about inflation, it feels that the general inflation disclosure adds to the confusion about the "Inflation" disclosure and is contrary to the Board's stated objectives.

# Board of Directors and Officers

American Stores Company and Subsidiaries

## American Stores Company Board of Directors

William R. Deeley<sup>1,2</sup>  
*Director*

Richard G. Dunlop  
*Vice Chairman of the  
Board and Treasurer*

Thomas W. Field, Jr.<sup>1</sup>  
*President*

Williford Gragg<sup>1,2</sup>

*Retired—Former  
Chairman of the Board  
United States Fidelity &  
Guaranty Company*

Leon G. Harmon<sup>1,2,3,4</sup>  
*President and  
Chief Executive Officer,  
First Interstate Bank  
of Utah, N.A.*

Thomas W. King  
*President, Acme  
Markets, Inc., a  
wholly owned  
subsidiary*

L. Tom Perry<sup>1,2,3</sup>  
*Member of the Council  
of the Twelve,  
The Church of Jesus Christ  
of Latter-day Saints*

Aline W. Skaggs<sup>1,2,3</sup>  
*Director*

L.S. Skaggs<sup>1,2,3,4</sup>  
*Chairman of the Board*

Earl P. Staten<sup>1,2,3</sup>  
*Retired, Former Partner,  
Law Firm of  
Tibbatts and Staten*

Thomas H. Sunday<sup>1</sup>  
*Executive Vice President,  
General Counsel and  
Secretary*

I.J. Wagner<sup>1,2</sup>  
*President  
The Keystone Company*

- 1 Executive Committee
- 2 Audit Committee
- 3 Finance Committee
- 4 Nominating Committee
- 5 Compensation and  
Stock Option Committee
- 6 Ex-officio

## American Stores Company Officers

L.S. Skaggs  
*Chairman of the Board*

Thomas W. Field, Jr.  
*President*

Richard G. Dunlop  
*Vice Chairman of the Board  
and Treasurer*

Thomas H. Sunday  
*Executive Vice President,  
General Counsel and  
Secretary*

Scott Bergeson  
*Executive Vice President  
and Assistant Secretary*

Victor L. Lund  
*Senior Vice President  
and Controller*

Michael T. Miller  
*Senior Vice President  
and Assistant Secretary*

Gerald T. Glancey  
*Vice President and  
Assistant Treasurer*

Robert L. Salmon  
*Vice President*

Hugh M. Zumbro  
*Vice President*

Frederick P. McBrier  
*Assistant Secretary*

Dennis N. Beal  
*Assistant Controller*

Lynn Huizenga  
*Assistant Vice President*

## Officers of the Principal Operating Subsidiaries

**Alpha Beta Company**  
1111 South Harbor Blvd  
La Habra, California 90651  
Telephone (714) 738-2000  
THOMAS W. FIELD, JR.  
*President*

**American Stores  
Buying Company**  
Post Office Box 30658  
Salt Lake City, Utah 84130  
Telephone (801) 537-3000  
FRITZW. KEIL  
*President*

**Rea and Derick, Inc.**  
Fifth and Orange Streets  
Northumberland,  
Pennsylvania 17857  
Telephone (717) 473-3511  
LARRY L. LA ROCK  
*President*

**Acme Markets, Inc.**  
124 North 15th Street  
Philadelphia,  
Pennsylvania 19101  
Telephone (215) 568-3000  
THOMAS W. KING  
*President*

**American Stores  
Properties, Inc.**  
Post Office Box 27447  
Salt Lake City, Utah 84127  
Telephone (801) 539-0112  
RALPHE E. DAVIS  
*President*

**American Stores  
Management Systems  
Company**  
Post Office Box 30658  
Salt Lake City, Utah 84130  
Telephone (801) 537-3000  
SCOTT BERGESON  
*President*

**Skaggs Companies, Inc.**  
Post Office Box 30658  
Salt Lake City, Utah 84130  
Telephone (801) 537-3000  
JOSEPH R. BOWMAN  
*Executive Vice President*

# Consolidated Statements of Earnings

American Stores Company and Subsidiaries

Fiscal years 52 weeks ended January 28, 1984, January 29, 1983 and January 30, 1982

(in thousands of dollars,  
except per share data)

	1983	1982	1981
Sales	<b>\$7,983,677</b>	\$7,507,772	\$7,096,590
Cost of merchandise sold, including warehousing and transportation expenses	<b>6,051,677</b>	5,718,520	5,478,590
Gross profit	<b>1,932,000</b>	1,789,252	1,618,000
Operating, general and administrative expenses	<b>1,697,484</b>	1,603,689	1,477,258
Operating profit	<b>234,516</b>	185,563	140,742
Other (deductions) income			
Interest expense	<b>(35,615)</b>	(30,649)	(42,162)
Other income	<b>17,228</b>	17,945	20,888
	<b>(18,387)</b>	(18,704)	(21,274)
Earnings before income taxes	<b>216,129</b>	166,859	118,968
Federal and state income taxes	<b>98,227</b>	70,488	54,416
Net earnings	<b>\$ 117,902</b>	\$ 96,371	\$ 64,552
Average common shares outstanding	<b>29,556</b>	29,415	29,541
Net earnings per common share	<b>\$3.61</b>	\$2.69	\$1.81

See notes to consolidated financial statements

## Report of Independent Auditors

Shareholders and Board of Directors  
American Stores Company  
Salt Lake City, Utah

We have examined the consolidated balance sheets of American Stores Company and subsidiaries as of January 28, 1984 and January 29, 1983, and the related consolidated statements of earnings, common shareholders' equity, and changes in financial position for each of the three fiscal years in the period ended January 28, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of American Stores Company and subsidiaries at January 28, 1984 and January 29, 1983, and the consolidated results of their operations and changes in their financial position for each of the three fiscal years in the period ended January 28, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

*Ernst & Young*  
Los Angeles, California  
March 7, 1984

## Consolidated Balance Sheets

American Stores Company and Subsidiaries

### Assets

(In thousands of dollars)

January 28,  
1984

January 29,  
1983

#### Current Assets

Cash and short-term cash investments	\$ 134,697	\$ 85,222
Receivables	49,542	44,076
Inventories	683,566	612,528
Prepaid expenses	34,628	27,567
Total current assets	902,433	767,393

#### Property, Plant and Equipment, at cost

Land	61,558	48,676
Buildings	174,530	156,350
Machinery, equipment and fixtures	520,233	460,624
Leasehold costs and improvements	115,154	106,562
	871,475	752,092
Less accumulated depreciation and amortization	308,201	242,131
Net property, plant and equipment	563,274	509,961

**Property Under Capital Leases,**  
less accumulated amortization of  
\$67,676 in 1983 and \$58,475 in 1982

**128,269** 137,661

#### Other Assets

**32,719** 29,352

**\$1,626,695** \$1,444,367

## Consolidated Balance Sheets (cont.)

American Stores Company and Subsidiaries

Liabilities and Shareholders' Equity	(in thousands of dollars)	January 28, 1984	January 29, 1983
<b>Current Liabilities</b>			
Current maturities of long-term debt	\$	1,535	\$ 1,041
Current obligations under capital leases		10,292	9,251
Trade accounts payable		341,344	305,871
Other accrued liabilities		142,944	115,586
Accrued wages payable		88,729	83,899
Federal and state income taxes		31,850	31,738
Total current liabilities		616,694	547,386
<b>Long-term Debt,</b> less current maturities		210,436	188,325
<b>Obligations Under Capital Leases,</b> less current portion		156,420	163,708
<b>Other Liabilities</b>		52,427	45,179
<b>Deferred Income Taxes</b>		20,914	24,204
<b>\$5.51 Cumulative Redeemable Preferred Stock</b> of \$1 par value Authorized 2,450,000 shares; issued 2,036,372 shares at redemption value			
		118,110	118,110
<b>Common Shareholders' Equity</b>			
Common stock of \$1 par value Authorized 50,000,000 shares, issued 30,013,494 shares in 1983 and 1982		30,014	10,005
Additional paid-in capital		79,626	100,454
Retained earnings		351,260	257,690
Less cost of common treasury stock, 408,879 shares in 1983 and 587,685 shares in 1982		(9,206)	(10,694)
Total common shareholders' equity		451,694	357,455
		<b>\$1,626,695</b>	<b>\$1,444,367</b>

*See notes to consolidated financial statements*

# Consolidated Statements of Changes in Financial Position

American Stores Company and Subsidiaries

## Sources of Funds

*Fiscal years 52 weeks ended January 28, 1984, January 29, 1983 and January 30, 1982*  
*(In thousands of dollars)*

	1983	1982	1981
Net Earnings	<b>\$117,902</b>	\$ 90,571	\$ 64,552
Items not affecting working capital:			
Depreciation and amortization	<b>87,321</b>	83,070	80,799
Deferred income taxes	<b>(3,290)</b>	10,249	11,471
Other	<b>811</b>	528	1,063
Total provided from operations	<b>202,744</b>	184,218	157,888
Proceeds from long-term borrowing	<b>25,427</b>	16,997	8,152
Additions to obligations under capital leases	<b>5,150</b>	6,295	17,515
Disposals of owned properties	<b>6,720</b>	19,870	21,655
Disposals of leased properties	<b>2,430</b>	7,876	2,061
Issuance of common stock	<b>2,995</b>	9,130	—
Increase in other liabilities	<b>7,248</b>	9,800	62
	<b>252,714</b>	254,186	207,313

## Uses of Funds

Expended for property, plant and equipment	<b>135,242</b>	107,463	101,385
Additions to property under capital leases	<b>5,150</b>	6,295	17,515
Reduction of long-term debt	<b>3,316</b>	32,697	25,376
Reduction of obligations under capital leases	<b>12,438</b>	19,033	12,148
Cash dividends	<b>24,332</b>	21,026	19,099
Purchase of treasury stock	<b>2,398</b>	11,324	115
Other, net	<b>4,106</b>	(275)	1,390
	<b>186,982</b>	197,563	177,358
Increase in working capital	<b>65,732</b>	56,623	29,955
Working capital— beginning of year	<b>220,007</b>	163,384	133,429
Working capital— end of year	<b>\$285,739</b>	\$220,007	\$163,384



# Consolidated Statements of Changes in Financial Position (cont.)

American Stores Company and Subsidiaries

Changes in Components of Working Capital	(In thousands of dollars)	1983	1982	1981
<i>Increase (decrease) in current assets</i>				
Cash and short-term cash investments	<b>\$ 51,475</b>	\$50,209	\$23,179	
Inventories	<b>71,038</b>	51,365	26,938	
Other	<b>12,527</b>	3,614	(2,230)	
	<b>135,040</b>	85,188	47,887	
<i>Increase (decrease) in current liabilities</i>				
Current maturities of long-term debt	<b>494</b>	(480)	(1,968)	
Current obligations under capital leases	<b>1,041</b>	(582)	213	
Accounts payable and accrued liabilities	<b>62,831</b>	22,165	831	
Other	<b>4,942</b>	7,462	18,856	
	<b>69,308</b>	28,565	17,932	
Increase in working capital	<b>\$ 65,732</b>	\$56,623	\$29,955	

See notes to consolidated financial statements

# Consolidated Statements of Common Shareholders' Equity

American Stores Company and Subsidiaries

Fiscal years, 52 weeks, ended January 28, 1984; January 29, 1983; and January 30, 1982

<i>(In thousands of dollars)</i>	<i>Common Stock</i>	<i>Additional Paid-in Capital</i>	<i>Retained Earnings</i>	<i>Treasury Stock</i>	<i>Total</i>
Balances at February 1, 1981	\$10,001	\$95,471	\$142,892	\$(4,496)	\$243,868
Net earnings for the 52 weeks ended January 30, 1982			64,552		64,552
Issuance of 97,008 common shares from treasury		(421)		813	392
Common dividends— \$ .27 per share			(7,879)		(7,879)
Preferred dividends— \$5.51 per share			(11,220)		(11,220)
Purchase of 54,600 common treasury shares				(445)	(445)
Other		74		251	325
Balances at January 30, 1982	10,001	95,124	188,345	(3,877)	289,593
Net earnings for the 52 weeks ended January 29, 1983			90,371		90,371
Issuance of 522,819 common shares from treasury		5,049		4,507	9,556
Sale of 11,400 common shares	4	209			213
Common dividends— \$ .33 per share			(9,806)		(9,806)
Preferred dividends— \$5.51 per share			(11,220)		(11,220)
Purchase of 645,600 common treasury shares				(11,324)	(11,324)
Other		72			72
Balances at January 29, 1983	\$10,005	\$100,454	\$257,690	\$(10,694)	\$357,455

# Consolidated Statements of Common Shareholders' Equity (cont.)

American Stores Company and Subsidiaries

<i>In thousands of dollars</i>	<i>Common Stock</i>	<i>Additional Paid-In Capital</i>	<i>Retained Earnings</i>	<i>Treasury Stock</i>	<i>Total</i>
Balances at January 29, 1983	\$10,005	\$100,454	\$257,690	\$(10,694)	\$357,455
Net earnings for the 52 weeks ended January 28, 1984			117,902		117,902
Issuance of 238,885 common shares from treasury		(891)		3,886	2,995
Effect of common stock split	20,009	(20,009)			--
Common dividends— \$ .44 per share			(13,112)		(13,112)
Preferred dividends— \$5.51 per share			(11,220)		(11,220)
Purchase of 60,679 common treasury shares				(2,398)	(2,398)
Other		72			72
Balances at January 28, 1984	\$30,014	\$79,626	\$351,260	\$(9,206)	\$451,694

*See notes to consolidated financial statements*

## Notes to Consolidated Financial Statements

Victoria's Secret Company and Subsidiaries

### Significant Accounting Policies

<i>Business</i>	The Company, through its subsidiaries, is engaged primarily in the operation of retail stores, selling drug and food merchandise.
<i>Basis of Consolidation</i>	The consolidated financial statements include the accounts of the Company and all subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.
<i>Inventories</i>	Inventories are stated at the lower of cost or market. The last-in, first-out (LIFO) method is used to determine the cost of certain categories of grocery inventories. Cost of the remaining inventories are computed by either the first-in, first-out (FIFO) or average cost methods.
<i>Depreciation and Amortization</i>	Depreciation and amortization charged to earnings for financial statement purposes, including amortization of property under capital leases, are generally computed using the straight-line method applied to individual property items.
<i>Costs of Opening and Closing Stores</i>	The costs of opening new stores are charged against earnings in the year in which they are incurred. When operations are discontinued and a store is closed, the remaining investment, net of salvage value, is charged against earnings and, for leased stores a provision is made for the remaining lease liability, net of expected sublease recovery.
<i>Income Taxes</i>	The Company provides for deferred income taxes or credits as timing differences arise in recording income and expenses between financial reporting and tax reporting. The Company accounts for investment tax credits under the "flow-through" method, reducing income tax expense in the year in which the asset that gives rise to the credit is placed in service.
<i>Pension Costs</i>	Pension costs for Company-sponsored plans are actuarially computed and include amortization of prior service cost over periods ranging to 30 years. The Company's policy is to fund pension costs accrued to the extent they are currently deductible for income tax purposes.
<i>Net Earnings Per Common Share</i>	Net earnings per common share are determined by dividing the weighted average number of common shares outstanding during the year into net earnings after deducting dividends attributable to preferred shares. Common share equivalents in the form of

## Notes to Consolidated Financial Statements (cont.)

WILCOX HOLDINGS COMPANY LIMITED SUBSIDIARIES

stock options are excluded from the calculation since they have no material dilutive effect on per share figures. Net earnings per common share have been restated to reflect a 3-for-1 stock split effective July 8, 1983.

### Cash and Short-Term Cash Investments

Short-term cash investments consist primarily of certificates of deposit, treasury bills and notes, bankers acceptances, repurchase agreements and commercial paper which are carried at cost, which approximates market value. At January 28, 1984 and January 29, 1983, certificates of deposit and other securities with a maturity of over 90 days amounted to \$50,641,000 and \$10,774,000, short-term investments were \$31,853,000 and \$49,063,000, respectively.

### Inventories

The dry grocery inventories of certain of the Company's subsidiaries are valued by the last-in, first-out (LIFO) method. Inventories valued under the LIFO method amounted to \$205,734,000 at January 28, 1984 and \$186,824,000 at January 29, 1983.

If the first-in, first-out (FIFO) and average cost methods had been used, inventories would have been \$65,599,000 and \$63,518,000 higher at January 28, 1984 and January 29, 1983, respectively. The LIFO charge to earnings, before income taxes, was \$2,081,000 in 1983, \$5,771,000 in 1982 and \$8,877,000 in 1981.

### Short-Term Borrowings

Lines of credit arrangements for short-term borrowings with a group of banks allow the Company to borrow up to \$80,000,000 on terms mutually agreed to by the Company and the banks. These arrangements are reviewed annually for renewal.

In connection with these lines of credit, the Company has agreed to maintain approximately \$650,000 in average compensating balances. The compensating balances also reduce charges for normal banking services provided to the Company. Compensating balances are not restricted as to withdrawal.

In the event the lines are drawn upon, additional cash balances may be required by the banks.

# Notes to Consolidated Financial Statements (cont.)

American Stores Company and Subsidiaries

## Long-Term Debt

A summary of long-term debt is as follows:

<i>(In thousands of dollars)</i>	<i>January 28, 1984</i>	<i>January 29, 1983</i>
Notes payable, 12% due 1990	<b>\$ 75,000</b>	\$ 75,000
Sinking fund debentures		
9½% due through 2001	<b>27,360</b>	27,360
9½% due through 1990	<b>9,010</b>	10,558
Loans secured by real estate, interest rates from 4½% to 16% due through 2004	<b>100,601</b>	76,448
Total	<b>211,971</b>	189,566
Less current maturities	<b>1,535</b>	1,041
Long-term	<b>\$210,436</b>	\$188,525

*(See Note 10 for details of long-term debt.)*

The aggregate amounts of long-term debt maturing in each of the next five fiscal years are:

<i>(In thousands of dollars)</i>	1984	\$1,535
	1985	8,307
	1986	8,730
	1987	7,699
	1988	8,355

The Company's \$75,000,000 in notes due in 1990 may not be redeemed by the Company prior to June 1, 1987. Thereafter, the notes are redeemable at the option of the Company, in whole or in part, at any time prior to maturity at a price equal to 100% of principal amount plus accrued interest to the redemption date.

The Company's most restrictive loan covenants apply to, among other things, the allowable amount of senior funded debt and encumbrances of fixed assets. In addition, dividends plus redemption of any capital stock are limited to 30% of net earnings after February 2, 1980 plus \$30,000,000. Retained earnings of \$100,966,000 at January 28, 1984 are available for payment of dividends and redemption of capital stock.

The various loans secured by real estate are collateralized by properties with a net book value of \$84,275,000.

## Notes to Consolidated Financial Statements (cont.)

American Stores Company and subsidiaries

### Capitalized Interest Costs

The Company capitalizes interest costs associated with long-term construction projects. Interest costs incurred by the Company amounted to \$38,759,000, \$40,002,000 and \$45,158,000 in 1983, 1982 and 1981 respectively, of which \$3,144,000, \$3,353,000 and \$2,996,000 were capitalized.

### Leases

The Company leases retail stores and distribution facilities. Initial lease terms range from 15 to 25 years, plus renewal options, and can provide for additional rentals based on sales volume in excess of specified levels.

The Company has classified its leases as either capital or operating. The summary below shows the aggregate future minimum rental commitments as of January 28, 1984 for both capital and operating leases:

(In thousands of dollars)

FISCAL YEAR	Operating Leases	Capital Leases
1984	\$ 44,023	\$ 28,146
1985	39,826	25,590
1986	35,752	23,485
1987	34,362	24,054
1988	31,659	23,530
Thereafter	311,330	210,609
Total minimum rental commitments	\$496,952	335,414
Less executory costs (such as taxes, insurance and maintenance included in capital leases		10,314
Net minimum lease payments		325,100
Less amount representing interest		158,388
Obligations under capital leases, including \$10,292 due within one year		\$166,712

## Notes to Consolidated Financial Statements (cont.)

American Stores Company and Subsidiaries

### Leases (cont.)

Rental expense was as follows:

(in thousands of dollars)	Minimum Rentals	Rentals Based On Sales	Total Rentals
<b>1983</b>	<b>\$59,934</b>	<b>\$15,978</b>	<b>\$75,912</b>
1982	53,600	13,661	67,261
1981	55,094	15,121	70,215

### Income Taxes

Federal and state income taxes charged to earnings are summarized below:

(in thousands of dollars)	1983	1982	1981
Current			
Federal	<b>\$83,221</b>	\$64,305	\$45,629
State	<b>11,615</b>	10,064	5,838
Deferred			
Federal	<b>3,119</b>	2,041	2,625
State	<b>272</b>	78	824
	<b>\$98,227</b>	\$76,488	\$54,916

The provision for income taxes differs from the amount which would be provided by applying the federal statutory rate (46%) to earnings before income taxes as follows:

(in thousands of dollars)	1983	1982	1981
Tax expense computed at statutory federal income tax rate	<b>\$99,419</b>	\$70,755	\$54,752
State income taxes, net of federal income tax	<b>6,419</b>	5,406	3,327
Investment tax credits	<b>(4,356)</b>	(5,813)	(5,613)
Other	<b>(3,255)</b>	140	1,950
	<b>\$98,227</b>	\$70,488	\$54,416
Effective income tax rate	<b>45.5%</b>	45.8%	45.7%



## Notes to Consolidated Financial Statements (cont.)

American Stores Company and Subsidiaries

Deferred income tax expense resulted from the following:

<i>(in thousands of dollars)</i>	1983	1982	1981
Accelerated depreciation for tax purposes	<b>\$6,130</b>	\$5,582	\$4,530
Reserves for self-insurance	<b>(8,577)</b>	(7,045)	(1,250)
Other	<b>5,838</b>	4,189	(551)
	<b>\$3,391</b>	\$2,119	\$2,949

### Stock Option Plan

On May 21, 1975, the shareholders approved a stock option plan for employees, reserving 2,250,000 shares of common stock. The Company has granted stock options to employees at prices ranging from \$.22 to \$32.63 per share. In 1978, the shareholders approved an amendment to the 1975 plan providing for Stock Appreciation Rights.

Pursuant to the acquisition of the former American Stores Company, the Company assumed the former American stock option plan with appropriate adjustments to number of shares and exercise prices to give effect to the acquisition. As adjusted, stock options under this plan range in price from \$4.65 to \$32.63 per share.

During the year ended January 28, 1984, the Company granted 841,806 stock options to employees. The options range in price from \$24.92 to \$32.63.

Under the above described plans, stock options are exercisable on a cumulative basis of ten years or less. Compensation expense recognized was \$1,853,000, \$1,523,000 and \$284,000 for 1983, 1982 and 1981, respectively. Amounts deferred for future amortization under stock option grants at less than market value were \$97,000 at January 28, 1984, \$190,000 at January 29, 1983 and \$312,000 at January 30, 1982. At January 28, 1984 and January 29, 1983, options for 35,732 and 136,551 shares, respectively, were exercisable. A summary of changes in shares under option follows:

## Notes to Consolidated Financial Statements (cont.)

American Stores Company and Subsidiaries

### Stock Option Plan (cont.)

	1983	1982	1981
Outstanding at beginning of year	<b>815,319</b>	941,025	1,204,209
Granted	<b>841,806</b>	45,654	—
Exercised	<b>(262,387)</b>	(140,691)	(135,284)
Forfeited	<b>(22,074)</b>	(30,669)	(129,900)
Outstanding at end of year	<b>1,372,664</b>	815,319	941,025
Average option price per share	<b>\$22.19</b>	\$6.08	\$5.60
Reserved for future grant	<b>1,139,604</b>	1,959,336	1,974,321

### Pension Plans

Substantially all of the employees of the Company and its subsidiaries are covered under pension plans. Almost all employees who are members of bargaining units are covered by multi-employer plans. For other eligible employees, the Company provides pension benefits through several plans.

The amounts charged to pension expense were:

(In thousands of dollars)	1983	1982	1981
Company-sponsored plans	<b>\$22,356</b>	\$16,877	\$15,902
Multi-employer plans	<b>45,934</b>	45,890	45,940
<b>TOTAL</b>	<b>\$68,290</b>	\$62,767	\$57,842

The actuarially computed value of accumulated benefits of Company-sponsored plans, as estimated by consulting actuaries using an interest rate of 7%, were:

(In thousands of dollars)	January 1, 1984	January 1, 1983
Vested	<b>\$161,589</b>	\$140,536
Nonvested	<b>14,056</b>	17,509
	<b>\$175,645</b>	\$157,845
Net assets available for benefits	<b>\$207,971</b>	\$166,910

Similar information is not available to the Company for the multi-employer plans discussed above.

## Notes to Consolidated Financial Statements (cont.)

American Stores Company and Subsidiaries

### Stock Split

Effective July 8, 1983, the Company effected a 3-for-1 common stock split recorded in the form of a stock dividend. All references to the number of common shares and per common share amounts have been restated to reflect the split.

### Litigation

As previously reported, in addition to various claims and litigation arising in the normal course of business, the Company has been named one of the many defendants in a number of private treble-damage antitrust actions brought by alleged producers and feeders of cattle which have been consolidated for pretrial proceedings in the United States District Court for the Northern District of Texas, *In re Beef Industry Antitrust Litigation*, MDL No. 248. These actions allege certain violations of the antitrust laws with respect to the purchase and sale of beef.

In 1977 most of these cases were dismissed by the District Court pursuant to the U.S. Supreme Court's decision in *Illinois Brick Co. v. Illinois*, 431 U.S. 720 (1977). However, the U.S. Court of Appeals for the Fifth Circuit reversed the dismissals and remanded the cases for further proceedings to determine whether the plaintiffs were entitled to invoke the "cost-plus" exception to the rule of *Illinois Brick*, 600 F.2d 1148 (5th Cir. 1979), *cert. denied*, 449 U.S. 905 (1980).

On June 14, 1982, the District Court granted Defendants' Motion for Summary Judgment on the cost-plus issue, thus disposing of plaintiffs' claims for damages allegedly suffered in their capacity as sellers of live cattle. Subsequently, plaintiffs in several of the actions agreed to dismiss without prejudice remaining claims for injunctive relief and, in two cases, claims for damages alleged to have resulted from a conspiracy to fix the price of beef at retail, subject to possible re-institution of these claims after the resolution of their appeal on the cost-plus issue.

On July 14, 1982, the District Court entered judgments dismissing the complaints in all of those cases in which the Company has been served as a defendant, and plaintiffs appealed the Court's ruling on the cost-plus issue to the Court of Appeals for the Fifth Circuit, which, in turn, sustained the Motion for Summary Judgment. That decision was the subject of a petition for *certiorari* filed by the plaintiffs with the U.S. Supreme Court which, in an order dated February 21, 1984, denied that petition, thereby effectively eliminating the possibility of monetary damages being awarded against the defendants in these cases.

The claims for injunctive relief arising out of the same alleged conspiracy to fix the wholesale prices of beef remain in four of the cases, and the plaintiffs are free, if they choose, to attempt to pursue such claims. In one additional case in which no defendant has been served with the complaint, plaintiffs purport to seek damages and injunctive relief arising from the alleged conspiracy to fix wholesale prices of beef but do not claim the benefit of the cost-plus exception to *Illinois Brick*. No judgment has been entered in that case to date.

## Notes to Consolidated Financial Statements (cont.)

American Stores Company and Subsidiaries

### Redeemable Preferred Stock

The Company's redeemable preferred stock is not redeemable until July 26, 1984. Thereafter, it is redeemable in whole or in part, at the option of the Company, at \$58 per share plus accrued dividends. Beginning July 26, 1989, the Company is required to annually redeem 5% of the number of shares initially outstanding at \$58 per share plus accrued dividends.

The redeemable preferred stock has preferential and cumulative dividends at a rate of \$5.51 per share plus liquidation preference at \$58 per share plus accrued dividends over the holders of common stock.

### Supplementary Income Statement Information

Advertising expense amounted to \$110,231,000, \$90,284,000 and \$71,263,000 for 1983, 1982 and 1981 respectively.

### Supplementary Information on Inflation and Changing Prices (Unaudited)

The following information is presented in accordance with the principles of inflation accounting enumerated in Statement of Financial Accounting Standards No. 33, Financial Reporting and Changing Prices. The information attempts to show the impact of changing prices on certain historical financial data. Because the required disclosures are experimental in nature, several different approaches to presenting the data have been mandated which are outlined in the following paragraphs.

The first approach adjusts the historical cost financial statement dollars to dollars of the same general purchasing power. For example, if the inflation rate is ten percent from one year to the next year, then ten percent more dollars are needed in the second year to maintain the same general purchasing power. This adjustment to common units of measurement--constant dollars--is accomplished by using an index which measures inflation. Statement 33 prescribes the use of the Consumer Price Index for All Urban Consumers. Therefore, the constant dollar method starts with historical dollars as recorded using generally accepted accounting principles and adjusts these dollars to reflect changes in purchasing power (inflation) using a consumer price index.

In a second method, the accompanying data are also adjusted to reflect current costs of inventory and property, plant and equipment which have generally increased over time at a rate different from that of the

## Notes to Consolidated Financial Statements (cont.)

American Stores Company and Subsidiaries

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Consumer Price Index. Current replacement costs have been used to value these items; i.e., the specific prices applicable at year-end 1983 to replace inventory and property, plant and equipment.

In its historical cost financial statements the Company determines cost of a majority of its inventories using either the first-in, first-out (FIFO) or average cost methods. The last-in, first-out (LIFO) method is used to value all other inventories, and for purposes of estimating current cost, the LIFO inventories have been stated at the lower of equivalent FIFO cost or replacement market cost. Because of the rapid turnover of inventories and the use of LIFO costing for certain items, the cost of merchandise sold, as shown in the financial statements, normally approximates current cost at the time of sale. However, such amounts have been adjusted, where appropriate, for the effects of inflation during the time lag between purchase and sale of merchandise.

For the most part, the replacement data represent replacement in-place and in-kind. No consideration has been given to the replacement of assets with a different type, to improved operating cost efficiencies of replacement assets and similar situations. The replacement costs used, while believed reasonable, are necessarily subjective. They do not necessarily represent amounts for which the assets could be sold or costs which will be incurred in future periods, or the manner in which actual replacement of assets will occur. Land has been valued based on estimated current market prices. The current costs of the other property, plant and equipment, including buildings under capitalized lease obligations, were developed as follows:

For all other fixed assets, a review of buildings under construction or completed during 1983 was performed to determine actual current cost per square foot for each location for building and equipment costs. The current cost for nonretail facilities was determined through specific identification, where possible, or the use of indexes applicable to the type of asset being valued.

Depreciation adjustments, under both the general purchasing power and current cost approaches, have maintained the same methods, useful lives, and salvage

## Notes to Consolidated Financial Statements (cont.)

American Stores Company and Subsidiaries

### Supplementary Information on Inflation and Changing Prices (Unaudited) (cont.)

values as used in computing historical cost depreciation.

As a part of this footnote, there are three tables included to demonstrate the impact of inflation on the Company's financial statements. The first table provides the net changes in earnings, as reported in historical cost financial statements, to adjust for the effects of general inflation and specific prices.

Statement 33 requires that income taxes paid not be modified for the effects of either constant dollar or specific adjustments. Therefore, the effective income tax rate based on historical earnings increases when compared with constant dollar results and specific price earnings. This increase points up the serious impact on earnings of income taxes in an inflationary economy.

This table also provides the changes in value which occurred during the year. The first is the unrealized benefit, applicable to both methods, due to inflation with resulting decline in purchasing power of the net monetary amounts owned. A monetary asset is money or a claim to receive a sum of money, the amount of which is fixed or determinable without reference to future prices of specific goods or services. A monetary liability is an obligation to pay a sum of money, the amount of which is fixed or determinable without reference to future prices of specific goods or services. Therefore, cash, short-term cash investments, receivables, current liabilities, and long-term debt are monetary items. Since the monetary liabilities at year-end 1983 were larger than the monetary assets, an unrealized benefit is shown.

The second adjustment is applicable only to the specific price method and is the increase in value during the year due to increases in the specific prices for inventory and property, plant and equipment compared to that which is attributed to the increase in value due to the effect of general inflation.

The second table presents values of inventories and property, plant and equipment on the historic cost basis as adjusted for specific price increases at January 28, 1984.

The third table is a five-year summary of results adjusted for the effects of general inflation and for changes in specific prices.

# Notes to Consolidated Financial Statements (cont.)

American Stores Company and Subsidiaries

## Consolidated Statement of Earnings Adjusted for Changing Prices for the Fiscal Year Ended January 28, 1984

	<i>(In thousands of dollars)</i>	<i>As Reported</i>	<i>Adjusted For</i>	
			<i>General Inflation</i>	<i>Specific Prices</i>
<b>Results of Operations</b>				
Sales		\$7,983,677	\$7,983,677	\$7,983,677
Costs and expenses				
Cost of merchandise sold		6,051,677	6,070,057	6,050,460
Depreciation and amortization		87,321	112,124	117,765
Other costs		1,628,550	1,634,764	1,634,174
Total costs		7,767,548	7,816,945	7,802,399
Earnings before income taxes		216,129	166,732	181,278
Income taxes		98,227	98,227	98,227
Net earnings		\$ 117,902	\$ 68,505	\$ 83,051
Effective income tax rate		45.5%	58.9%	54.2%

### Changes in Carrying Value

Increase in current cost of inventories and property, plant and equipment	\$39,924
Less effect of increases in the general price level	57,598
Excess of increases in general price level over increases in the specific prices	\$17,674

### Inventory and Property, Plant and Equipment Adjusted for Changes in Specific Prices at January 28, 1984

<i>(In thousands of dollars)</i>	<i>As Reported</i>	<i>As Adjusted</i>
Inventories	\$683,566	\$737,709
Property, plant and equipment and property under capital leases, net	\$691,543	\$925,508

# Notes to Consolidated Financial Statements (cont.)

American Stores Company and Subsidiaries

## Five-year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

(In thousands of dollars  
except per share data)

		1983	1982	1981	1980	1979
<b>Sales</b>	As reported	<b>\$7,983,677</b>	\$7,507,772	\$7,096,590	\$6,419,884	\$5,786,332
	Adjusted for general inflation	<b>7,983,677</b>	7,751,127	7,748,631	7,716,070	5,157,434
<b>Net earnings</b>	As reported	<b>117,902</b>	90,371	64,552	51,553	44,434
	Adjusted for general inflation	<b>68,505</b>	39,430	11,224	8,672	10,318
	Adjusted for specific price changes	<b>83,051</b>	49,822	40,504	41,763	37,273
<b>Earnings (loss) per share data</b>	As reported	<b>3.61</b>	2.69	1.81	1.37	1.15
	Adjusted for general inflation	<b>1.94</b>	.94	(1.04)	(1.17)	.09
	Adjusted for specific price changes	<b>2.43</b>	1.36	.95	.95	1.10
	<b>Excess (deficiency) of increase in general price level over increase in specific prices</b>	<b>17,674</b>	(27,429)	23,985	25,550	(34,137)
	<b>Purchasing power gain from holding net monetary liabilities</b>	<b>38,310</b>	35,885	73,669	105,526	68,001
<b>Net assets at year-end</b>	As reported	<b>569,804</b>	475,565	407,703	361,978	328,856
	Adjusted for general inflation	<b>794,468</b>	720,719	681,026	619,104	525,995
	Adjusted for specific price changes	<b>855,375</b>	782,544	700,489	653,868	597,271
<b>Cash dividends declared per common share</b>	As reported	<b>.44</b>	.33	.27	.27	.27
	Adjusted for general inflation	<b>.44</b>	.34	.29	.32	.36
<b>Market price per common share at year-end</b>	Historical amount	<b>33.38</b>	20.75	8.92	7.79	9.42
	Adjusted for general inflation	<b>33.38</b>	21.42	9.73	9.37	12.82
	<b>Average consumer price index</b>	<b>299.4</b>	290.0	274.2	249.1	219.8



## Notes to Consolidated Financial Statements (cont.)

American Stores Company and Subsidiaries

### Quarterly Results (Unaudited)

In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation have been included:

<i>(In thousands of dollars, except per share data)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
<b>1983</b>					
Sales	<b>\$1,882,059</b>	<b>\$1,966,639</b>	<b>\$1,973,295</b>	<b>\$2,161,684</b>	<b>\$7,983,677</b>
Gross profit	<b>459,784</b>	<b>476,167</b>	<b>481,208</b>	<b>514,841</b>	<b>1,932,000</b>
Net earnings	<b>21,867</b>	<b>27,369</b>	<b>22,826</b>	<b>45,840</b>	<b>117,902</b>
Net earnings per common share	<b>.65</b>	<b>.83</b>	<b>.67</b>	<b>1.46</b>	<b>3.61</b>
<b>1982</b>					
Sales	\$1,832,675	\$1,872,260	\$1,821,151	\$1,981,686	\$7,507,772
Gross profit	435,739	441,897	433,323	478,293	1,789,252
Net earnings	16,542	20,194	15,733	37,902	90,371
Net earnings per common share	.47	.59	.44	1.19	2.69

### Common Stock Market Prices and Dividends

The market price range on the New York Stock Exchange and the dividends declared on the Company's common stock are set forth in the table below. The common and preferred shares of the Company are listed on the New York, Philadelphia and Pacific Stock Exchanges under AmStr, and the trading symbol is ASC. The number of shareholders of the Company's common stock at March 28, 1984 was 10,387.

Years Ended	January 28, 1984			January 29, 1983		
	Sales Price High	Sales Price Low	Cash Dividends Declared	Sales Price High	Sales Price Low	Cash Dividends Declared
First Quarter	27 <sup>1</sup> / <sub>8</sub>	20 <sup>7</sup> / <sub>8</sub>	<b>\$.08</b>	13 <sup>1</sup> / <sub>8</sub>	8 <sup>7</sup> / <sub>8</sub>	\$ .08
Second Quarter	35 <sup>1</sup> / <sub>8</sub>	25	<b>.12</b>	15 <sup>5</sup> / <sub>8</sub>	12 <sup>1</sup> / <sub>8</sub>	.08
Third Quarter	44	32 <sup>1</sup> / <sub>4</sub>	<b>.12</b>	22 <sup>3</sup> / <sub>8</sub>	14 <sup>1</sup> / <sub>4</sub>	.08
Fourth Quarter	43 <sup>3</sup> / <sub>8</sub>	31 <sup>1</sup> / <sub>2</sub>	<b>.12</b>	23 <sup>1</sup> / <sub>2</sub>	18 <sup>7</sup> / <sub>8</sub>	.09
			<b>\$ .44</b>			<b>\$ .33</b>

Restated to reflect a 3-for-1 common stock split effective July 8, 1983

## Corporate Information

American Stores Company and Subsidiaries

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**American Stores Company**

Post Office Box 27447  
709 East South Temple  
Salt Lake City, Utah 84127-0447

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**Medical Director**

W.E. Peltzer, M.D.

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**Registrar and Transfer Agent**

Morgan Guaranty Trust Company of New York  
Trust Department  
30 West Broadway  
New York, New York 10015  
Telephone (212) 587-6469

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**Shareholder Relations**

Shareholder inquiries should be directed to:  
Corporate Secretary  
Post Office Box 27447  
Salt Lake City, Utah 84127-0447  
Telephone (801) 539-0112

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**SEC 10-K Report**

In compliance with the requirements of the Securities and Exchange Commission, the Company has incorporated all essential material of its Form 10-K SEC filing requirements within this annual report. The intended result is to provide shareholders with a fully integrated annual disclosure in a single document.

Should you desire the supplementary document on the Form 10-K, it may be obtained without charge from the:

Treasurer's Office / PO Box 27447 / Salt Lake City, Utah 84127-0447



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American Stores Company wishes to acknowledge the significant contribution of John Hartman upon the occasion of his retirement as a member of the Board of Directors.

John Hartman began his thirty-five years of dedicated and distinguished service as an employee of the then Payless Drug Stores, Inc. in 1948. John Hartman's career spanned three and a half decades. He witnessed the Company's growth from ten stores with sales of \$8 million annually, to a Company with over one thousand stores and sales in excess of \$7.5 billion. Mr. Hartman served in many executive positions including President of the Skaggs-Albertsons Partnership, President of Skaggs Companies, Inc., and Vice Chairman of the Board of Directors of American Stores Company.

Mr. Hartman was loyal and steadfast throughout his career, earning the respect of his friends, fellow employees and associates on the Board of Directors. His influence, business judgment and guidance were important factors in the Company's growth and success.